CANADIANS

AND

Life Insurance.

THE

SILVER QUESTION.

(From the Montreal Shareholder.)

1896.



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AMERICAN INSURANCE COMPANIES.

The prospect of the establishment of free silver in the United States at a ratio of sixteen to one and its becoming a legal tender is having a very disquieting effect upon Canadians who hold life policies in American companies. whole question involved is that arising from the legislation to result from the success of the silverite party. failure to succeed at the presidential election to be held this Fall will not, however, finally dispose of the question. will only serve to postpone it. The issue involved will, in the case of failure at the time referred to, still be kept alive and will re-assert itself at subsequent elections. life companies are taken out with the intention of continuing them until the death of the policyholder, or at the maturity of the policy in the case of endowment policies. That may not occur until a number of presidential elections have taken place. What policyholders have to look to is the legislation on the currency question which may be in force at the time the policy will mature. When such men as Colonel Greene. president of the Connecticut Mutual, and John A McCall, president of the New York Life, felt it necessary to issue the circulars to shareholders in their companies to which we referred to in a former issue, some idea may be formed of the extent of the anxiety which the officers of American companies experience at the prospect of the success of the silverites. Colonel Greene says, "Should we come upon a silver basis your policies would for the present be paid in 'dollars' worth to your families only about fifty cents; and the great bulk of them would probably be paid in 'dollars' worth not more than from twenty-five to thirty-five cents." Mr. McCall said, "If the views of the Chicago candidate prevail the companies could not, even if they are willing, provide for the payment of their claims in gold dollars." This being the case with two such companies, can it, we

ask, be expected that other companies will be in a different position? From this it results that the endorsation on the policies, "payable in gold," will be of no value. The settlements will have to be made in the legal currency of the country in which the contracts are made and dated. that case the payments may have to be made in silver dollars worth "not more than twenty-five to thirty-five cents." Such an endorsation, if permitted by law, would involve the payment of two hundred cents on the dollar in the event of the success of the silverites at any time during the currency of the policy. With the prospect of the amount of the policy being paid at maturity, whenever that may be, in greatly depreciated money, the present position is one calculated to create consternation among policy-holders, as men, more especially those of limited incomes, regard the possibility of the provision the policy is looked upon as securing being reduced to such an extent as to involve a heavy loss. are told that the inducement to Canadian policyholders to insure in American companies is that the rates of premium are lower. In the event of the amount being payable in silver worth only fifty cents on the dollar (to say nothing of a lower rate) the rates of premium in Canadian and British companies should be calculated on one-half the amount. In other words, the comparison of the rates should be the cost of insuring, say \$2,000, in an American company with that of insuring \$1,000 in a Canadian or British company. In that case the advantage is largely in favor of insuring with the latter companies. For a number of years past THE SHARE-HOLDER has conceived it a duty to bring under the especial attention of Canadians the advantages to be derived from insuring in Canadian and British companies over American companies. In an article which appeared in its issue of September 1, 1893, we pointed out the possibility of a change in the legal currency of the United States, such as that now constituting the leading plank in the Silverite party That article is so applicable to the circumstances that we reproduce it in this issue, without any apology for so doing, as we are convinced it will be re-read by our many readers with no little interest.

PAYABLE IN GOLD.

We publish in another column a correspondence which has taken place between one of our leading citizens and the Canadian manager of the New York Life Insurance Company, the name of the insured being withheld, as it has no effect upon the merits of the correspondence. The application was a simple straightforward one, being from a policyholder, whose policy did not specify the description of money in which it was payable. He desired to have the words "payable in gold" endorsed on his policy. reply is anything but re-assuring, and is calculated to increase rather than allay dissatisfaction. Mr. Burke, acting under instructions from the head office, says: "The Company is not going to adopt a silver standard." By this, we presume, he means voluntarily, as Congress may adopt it for the company and compel it to accept it. From what we have said elsewhere, we are quite convinced that the company would very much prefer that no change be made in the currency laws of the United States, but those laws may come and the company would be powerless. It would have to pay in the legal currency of that country, and dare not discriminate against American policyholders in favor of its Canadian policyholders unless the laws of this country made it a condition of its (or any other American Company) doing business in this country, that the amount of the policy on its becoming payable, shall be payable in lawful money of the Dominion of Canada. Without such a provision in the Canadian Insurance Act, the endorsation on the policy of "payable in gold" would, in the event of the success of the Silverite party, be, in all probability, a violation of United States law, which the company dare not indulge in, inasmuch as it would be simply illegal, to say nothing of the discrimination against American policyholders which such an endorsation on Canadian policies in American companies would involve.

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CANADIANS AND LIFE INSURANCE.

(From The Shareholder, September 1st, 1893.)

Our attention has been called to the fact that the amount paid in premiums last year to the American life insurance companies doing business in Canada was \$3,251,598, as shown by the report of the Superintendent of Insurance, and that this is the largest amount yet paid in any one year to these companies. The total amount of insurance in force with these companies at the end of the year was \$90,708,482. That in force with Canadian companies was \$154,709,077, and that with British companies was \$33,692,706. the amount in force with American companies should run up to so large a sum astonishes us, especially when we consider the advantages which Canadian and British companies offer. We have no objection to American companies doing business in Canada, but we are surprised that Canadian people should pay their premium money into foreign companies when equal if not better security is furnished by Canadian and British life companies, for in the discussion of questions of this description we do not hesitate to place Canadian and British companies on a common footing, both being equally entitled to the confidence of the people and both being in fact British. We say that we are surprised at the large amount carried by American companies. cannot possibly be ascribed to any want of confidence in the other companies, and must be attributable to a want of thought, a want of that consideration which should accompany such an important matter as the taking out of a life insurance policy, which is not a matter for a year or two, but one of a life-time. Circumstances which exist to-day may undergo extraordinary changes in the course of ten or fifteen years, and the possibilities which may accompany these changes should be seriously weighed. The policies issued by American companies are governed by American laws and American usages. These change. War between the two countries might take place during that time, and if it did what difficulties would arise in securing payment of





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the capital at a time when it was most needed it is difficult This should certainly carry some weight as an Again, the depreciation in the value of the currency of that country should also be considered, for American policies are payable in United States currency. whatever that may be, unless by the terms of the policy they are specially payable in gold, and even in that case an Act of the Legislature might relieve the companies from gold payments, and authorize silver or something else under extraordinary circumstances. In the present financial depression in the United States difficulty might be experienced in making a large number of payments aggregating a large sum at one time, and delays would ensue, when the value of the policies to the bereaved would be greatly reduced by their failure to afford immediate relief. We are told that some of these companies return to their assured annually a large proportion of the premiums, and that this is a strong inducement. Canadian and British companies do the same, or, at least, make quinquennial distributions of profits, which is better and more equitable than annual ones. We have before us an American policy for \$1,000, payable in fifteen years, on which the annual premium, paid in advance, is \$67.36, the age of the assured at the time the policy was taken The policy is for fifteen years. Twelve out being 33. years have elapsed, and during that time \$98.77 have been added to the policy as surplus profits. The first year the sum allowed was \$9.15 and two years after it was \$11.72; that was the largest amount for any one year. But of late years the profits have been growing less and less, the last distribution a year ago giving only \$4.90. The inverse ratio would have been looked for, and the older the policy the greater the profits would be, a natural expectation on the part of the assured. We cite this as a case coming under our attention; there are, no doubt, hundreds of others Under all these circumstances we think that Canadians would do well to give their preference to Canadian and British life offices, and thereby avoid the possibilities with which the womb of the future may be charged. Life assurance is a provision, not for the present, but for the

future and for the loved ones. Every possibility of mischance or depreciation in value should be avoided, and this can be done by assuring with Canadian and British offices.

MR. McCALL ON SOUND MONEY.

Mr. John A. McCall, president of the New York Life Insurance Company, issued a circular to the 287,000 policyholders of the Company in which the "financial heresies" of the Democratic platform adopted at Chicago are denounced in strong terms. The circular is a strong appeal in behalf of sound money, to the public in general and to the holders of insurance policies in particular, and calls attention to the fact that the triumph of the principles embraced in the democratic platform would mean the enforced payment of the claims of the insured in a debased currency.

Mr. McCall shows that the total outstanding insurance contracted to be paid is over nine and a half million dollars, and asks if this sum is to be paid in dollars of gold, worth 100 cents, or in dollars of silver, worth 53 cents. He then continues:—

"The premiums have been paid in gold or its equivalent, and to compel the policyholder or his family to accept one-half the value that he has paid for at the maturity of the claim would be as iniquitous and indefensible as though he had been robbed on the highway.

"If the views of the Chicago candidate prevail, the companies could not, even if they are willing, provide for the payment of their claims in gold dollars. The platform on which he stands reads in part as follows:—

"'We demand that the standard silver dollar shall be a full legal tender, equally with gold, for all debt, public or private, and we favor such legislation as will prevent for the future the demonetization of any kind of legal tender money by private contract.'

"The circular closes with an official appeal to the insured for united action against those who would 'greatly impair, if not destroy, the protection that has been secured by much self-denial."

CORRESPONDENCE.

SILVER QUESTION vs. CANADIAN LIFE-POLICY-HOLDERS IN AMERICAN COMPANIES.

To the Editor of THE SHAREHOLDER :-

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SIR,—While advocating the cause of life insurance generally, and of Canadian life insurance companies in particular, as has been repeatedly done by you, and specially in your article "Canadians and Life Insurance," in your issue of September 1, 1893, likewise in your articles "American Insurance Companies," and "Payable in Gold," in issue of August 14, 1896, you have conferred no small obligation, at the same time, upon Canadian life-policyholders in American companies, by the very faithful and clear exposition of the circumstances in which they might find themselves to be placed in case of any disturbance of the United States financial system. The first-mentioned article, which was opportunely repeated in last issue, now read in the light of subsequent events, goes far towards entitling you to be credited with the gift of "second sight." The contingency of war on account of the Venezuelan question was, as is now a matter of history, barely averted by the righteous indignation of the better classes of the community asserting itself over the unscrupulous utterances of political demagogues. And now, what was said by you, "An Act of the Legislature might relieve the companies from gold payments," looks almost on the eve of fulfilment.

It seems a mystery why so many of our citizens should still persist in patronizing American life companies, notwithstanding the many serious risks and disadvantages involved, and thus send so much money annually out of the country in life insurance premiums, which could be profitably employed within it, seeing we have so many strong and reliable companies within our own borders. One reason invoked by you, viz.: "We are told that the inducement to Canadian policyholders to insure in American companies is that the rates of premium are lower," is wholly without foundation, for not only are the rates of the Canadian companies lower than those of American companies (with perhaps the exception of one company which keeps all its profits for the

stockholders and gives none to its policyholders), but their profit returns to policyholders are much greater. most powerful influence seems to be the enormous commissions paid to brokers for bringing business and the alluring and misleading promises made by them. Unfortunately, even the promises of some of the chief agents are not to be relied upon; take, for example, the present silver question. It has been asserted by some of them at the present time, in order to allay the fears of the policyholders, that even in the event of the silver standard being adopted, their claims would be paid in Canadian currency, but the dicta of President Greene and McCall clearly contradict this, as pointed out by you. Nothing could more strongly emphasize this than the following quotation from a circular issued by the latter gentleman:—" If the views of the Chicago candidate prevail the companies could not, even if they are willing, provide for the payment of their claims in gold dollars." You have pretty well exposed the fallacy of the statements made in the letter of D. M. Burke, local manager of the New York Company, in his attempt to reassure his policyholders, but the 4th point referred to by him should not be passed over in silence, as it does not appear to be over ingenuous. It is said, "The Company's assets held in Canada are sufficient by an excess of over \$1,000,000 to pay all its obligations and policy claims at their full legal The question is (leaving out the consideration of depreciated values of American securities), would that be available to pay Canadian policyholders in full if the company should otherwise be in such a position as to be able to pay its other policyholders at the rate of 50 cents in the dollar only? The Dominion Insurance Act, as originally framed, or as it now stands in conjunction with the Windingup Act, says not, and Mr. Burke, there is good reason to belleve, is not ignorant of this fact, although the statement referred to appears to convey a different impression to his policyholders.

If Canadian citizens will persist in insuring in American life companies they have themselves to blame after the warning voice so often raised by you if they should afterwards suffer for their imprudence, but they should at least refuse to accept any American policy unless it is clearly stated in the body of it that the amount is payable "in gold coin of the United States of the present standard weight and fineness."

AMERICAN INSURANCE COMPANIES.

To the Editor of THE SHAREHOLDER :-

DEAR SIR,—I enclose you some correspondence re life insurance which may be of interest to your many readers.

INSURED.

DAVID BURKE, ESQ.,

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Dear Sir,—Will you kindly have your company write me a letter stating that they will pay policies in gold, and oblige,

MONTREAL, 23rd July, 1896.

DEAR SIR,—Re Policy No. 195,920, I duly received your favor of the 23rd of July, and forward same to our head office. In reply, the Secretary informs me that they cannot well consider the question of changing contracts already made, to read payable in gold, but they can write new insurance with premiums and payable in gold. The Company wish to state the following points in connection with matter of policy claims in Canada:—

1st. The Company has paid every dollar of its policy claim obligations in the past.

2nd. The Company expects to maintain its good reputation for the same fair dealing with its policyholders in the future.

3rd. The Company is not going to adopt a silver standard.

4th. The Company's assets held in Canada are sufficient by an excess of over \$1,000,000 to pay all its obligations and policy claims at their full legal value.

Yours truly,

D. M. BURKE,

MONTREAL, August 1st, 1896. General Manager.